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Consumer Electronics Manufacturers Association

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CS 98-120

July 1, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Hon. William Kennard
Chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20544

Re: DTV/Cable Interoperability

Dear Chairman Kennard:

This letter is in response to your request at the May 20 Digital Television (DTV) Round Table that the various industries establish a timetable by July 1 for the resolution of outstanding technical issues related to DTV.

Over the next few months, the consumer electronics and cable industries plan to have a number of technical meetings to complete the definition of the basic elements necessary to ensure cable-consumer electronics compatibility. In this regard, one critical issue identified by the Commission was industry agreement on solutions for digital cable-ready receivers and other equipment. We believe that cable-ready sets provide the most consumer-friendly solution to the various technical, compatibility and interface and copy protection issues associated with cable delivery to DTV receivers.

The consumer electronics industry will make its best effort to reach agreement with the National Cable Television Association (NCTA) by October 31, 1999 on the necessary technical and operating specifications for digital receiver-ready cable systems and cable-ready digital receivers. We also will work to complete "build-to" standards based on the agreement by the end of 1999. We believe that on-going Commission oversight of this voluntary process will help promote the most expeditious agreement on pro-consumer compatibility solutions.

As part of this process, and at their request, we have provided NCTA with a list of elements necessary to ensure cable-consumer electronics compatibility. Among the critical issues under discussion is the provision of full system information to receivers by cable systems, and agreement on RF performance criteria.

Our goal is a universal baseline standards agreement that will allow American consumers to attach their cable systems directly to their DTV receivers without a set-top box, and gain access to in-the-clear, premium, and typical pay cable services. It is important to note that, while many manufacturers will include an IEEE 1394 interface on their digital receivers, universal inclusion of 1394 is not necessary in a basic digital cable-ready receiver and would burden many consumers with unnecessary expense. Instead, consumers must have the freedom to choose among a variety of products incorporating different features, including 1394, at a range of prices.

In a related issue, we believe it vital that all elements of the OpenCable specification, both baseline and all extensions, be fully executed, specified, and made available in time for manufacturers to design, procure components for, test, and build products by July 1, 2000. Unless this is accomplished, the availability of point of deployment modules (PODs) by that date will not constitute compliance with Commission regulations, as consumers still will not have a choice of competitive products equal in capability to those provided by cable operators. In addition, it is critically important that these specifications be agreed to and universally supported

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by the entire cable community.

For the development of these specifications, the Commission is relying on NCTA and Cable Labs through its "OpenCable" process. In order to ensure a pro-consumer result that meets the needs of all affected industries, the Commission must now make certain that these entities open themselves to the full participation of consumer electronics manufacturers and others. It is also essential that the resulting specifications be translated into completed technical standards and industry agreements from which any manufacturer can build competitive products.

Another topic of the Round Table was the importance of the implementation of solutions to protect digital content. To put it plainly, the success of the DTV will depend upon the ample availability of movies and other high value content that consumers want to watch.

Working under the auspices of the multi-industry Copy Protection Technical Working Group (CPTWG), consumer electronics companies have proposed effective copy protection technologies. These technologies have been and are being developed on the basis of assurances from and agreements with the motion picture industry that rules would be in place to protect the rights of consumers to record free advertiser-supported television and, with limitations, subscription programming, while providing copyright owners with the right to prevent all copying of pay-per-view and video-on-demand. These understandings were, and remain, essential to protect consumer interests.

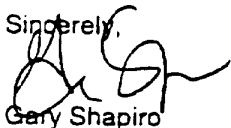
The oral presentation by the motion picture industry representative at the Round Table and the June 9 letter to the Commission from the president of the Motion Picture Association of America (MPAA) failed to address these critical consumer issues. By arguing that consumers, due to copyright concerns, should lose the right to view and record free over-the-air broadcasting or programs for which they have paid, the motion picture industry statements reflect a partial and distorted history.

The full story is set forth in the May submission of the Home Recording Rights Coalition to the Round Table. The consumer electronics and computer companies that developed these effective technologies for the benefit of the motion picture industry have a duty to consumers to ensure that the systems are not abused. Motion picture companies should not be allowed to use technology to reverse a Supreme Court decision and interfere with clearly established consumer fair use recording rights.

In short, we believe that affording content owners the technological ability to prohibit the recording of all programs, whether or not recordable under "fair use" principles, raises important questions of public policy that must not be resolved unilaterally by MPAA or its member companies.

No party has a larger investment in a successful DTV transition than the consumer electronics industry, and we greatly appreciate your efforts in that regard. We look forward to working with you to ensure the effective and consumer-friendly resolution of the remaining technical and copy protection issues.

Sincerely,



Gary Shapiro
President

Consumer Electronics Manufacturers Association

cc: Commissioner Susan Ness
Commissioner Harold Furchtgott-Roth
Commissioner Michael Powell

Commissioner Gloria Tristani
Mr. Dale Hatfield, Chief, Office of Engineering and Technology
Ms. Deborah Lathen, Chief, Cable Services Bureau
Mr. Robert Pepper, Chief, Office of Plans and Policy
Mr. Decker Anstrom, President and CEO, National Cable Television Association
Mr. Jack Valenti, President and CEO, Motion Picture Association of America